USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - Public distribution

**Date:** 4/23/2007

**GAIN Report Number:** CS7004

# Costa Rica

# Market Development Reports

# FROZEN FOODS' REPORT

# 2007

**Approved by:**
Katie C. Nishiura, Agricultural Counselor
U.S. Embassy

**Prepared by:**
Luis Solera, Private Consultant

**Report Highlights:**
While the size of the total Costa Rican frozen food market is unknown, the value of imported frozen food products for final consumption was $13.8 million in 2005.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
San Jose [CS1]
[CS]

# Frozen Food Report
## Index


I. Market Overview 2

A. Economic Situation 2
B. Consumer Characteristics and Trends 2
C. Advantages and Challenges of U.S. Frozen Food Products 3

II. Market Access 4

A. Distribution Channels for Retail and Food Service Sectors 4
B. Transportation Costs 5
C. Tariffs and Import Regulations 6
a. Tariffs 6
b. Import Regulations 8
c. Labeling Requirements 9
d. Approval of Beef and Poultry Plants 9

III. Competition 10

IV. Best Prospects 23

V. CAFTA-DR Impacts on the Market 27

VI. Recommendations 27

VII. Contact List (for external report) 28

VIII. Company Profiles (for internal report) 30

# I. Market Overview

## A. Economic Situation

Politically and economically, Costa Rica is one of the most stable countries in Central America, making it an attractive export destination. Economic growth in recent years has raised demand for imported food products. Costa Rican Gross Domestic Product (GDP) grew 6.4% in 2003 and 4.1% in 2004 and 2005, compared to world average GDP growth of 2.9%. Costa Rica also has one of the highest per capita incomes in Latin America, reaching $4,436 in 2005. The country's economy depends on tourism, retail sales, manufacturing and agriculture. Costa Rica's low costs, educated workforce, political stability, and proximity to the United States have attracted foreign investment from companies in such fields as high technology, medical supplies and pharmaceuticals. The nation is fast becoming a location for outsourced labor, hosting call centers and financial and administrative services.

Costa Rica has yet to ratify and implement the Central America – Dominican Republic Free Trade Agreement (CAFTA-DR). The Agreement, which will provide additional advantages for U.S. exporters, is now at the Costa Rican Legislative Assembly awaiting vote, and will likely be ratified in late 2006 or early 2007. Other pieces of implementing legislation and regulations are expected to be adopted in 2007. The United States is already Costa Rica's main trading partner, supplying 47% of the $9.8 billion in goods Costa Rica imported in 2005.

Despite Costa Rica's overall economic growth, the country suffers from rising inflation and unemployment. In 2003 inflation was 9.87%, in 2004 it increased to 13.13%, and in 2005 reached 14%. Rising oil prices have exacerbated inflation by making goods and services—especially imported ones—more costly. Similarly, unemployment in Costa Rica has hovered around 6.6% for the past three years. High unemployment and inflation have reduced the real income and purchasing power of consumers, hampering demand for expensive imported products.

Until recently, the Costa Rican Central Bank devalued the currency, the colon, on a scheduled basis, increasing prices for imports in CR colons. The devaluation rate reached 10.5% in 2003, then fell to 9.5% in 2004 and 8.4% in 2005. In October 2006, the Central Bank end the "crawling peg" system of devaluation and adopted a system in which the colon is allowed to float within a slowly devaluing band of exchange rates. Costa Rica importers will need to adjust to the added dimension of uncertainty in the new exchange rate regime, but in its first weeks we have not seen a significant impact on the prices of imported goods.

For 2006, the Costa Rican economy is forecast to grow by 6% and inflation is forecast at 9%. Analysts see unemployment as holding steady in the 6-7% range.

## B. Consumer Characteristics and Trends

While the size of the total Costa Rican frozen food market is unknown, the value of imported frozen food products for final consumption was $13.8 million in 2005. The value of imports increased at an annual average of 9.5% over the 2001-2005 period. These statistics exclude frozen food ingredients, as well as products classified in the Central American Tariff Schedule (SAC) with other non-frozen products, such as bakery goods and desserts.

Recent changes in cooking patterns help explain the growing interest in frozen foods. More women have entered the work force, limiting the time they have available to cook.

According to the National Institute for Statistics and Census (INEC), the number of working women increased by 13.5% between 2002-2005. Since male members of the household appear not to have increased the amount of their time devoted to food preparation, households now rely more on frozen and prepared foods. More than ever, households also depend on time-saving pre-cut and pre-cooked foods. One out of every two Costa Rican households owns a microwave, reflecting demand for food items requiring little preparation.

The rising number of working women has caused household income to grow, corresponding to greater expenditures on food. According to INEC, real household income grew by an annual average of 2.1% for the past sixteen years (1988-2004). Per capita expenditures on food and beverages increased by over 7% during the same period. In 2004, middle- and high-income families spent from 22% to 37% of their income on food and beverages.

Demand for frozen food among higher income Costa Ricans is expected to grow rapidly in Costa Rica. Comprising roughly 54% of the population, this segment offer U.S. frozen food exporters the best sales opportunities in Costa Rica. Young professionals and dual-income couples residing in Costa Rica's Central Valley are the most common consumers of frozen products. These individuals have less time to cook and are generally open to trying new products or presentations. By contrast, older individuals and more traditional families tend to be more skeptical about the nutrition of frozen foods and therefore less willing to incorporate frozen products into their diets. Thus, urban areas with the highest concentration of young professionals will likely see the largest rise in the consumption of frozen foods.

Rising tourism has also supported demand for frozen food products. The number of travelers to Costa Rica grew by 11% in 2003, 17% in 2004, and 15% in 2005, with 1.6 million visitors in that year alone. New hotels and restaurants, which are attracted to frozen products for their consistent quality, availability, and hygiene, have sprung up near the capital city and in the Northern and Central Pacific regions. Supermarket chains report considerable sales of frozen food products in resort areas, such as Guanacaste, Jaco, San Carlos, and Limón. These retailers target not only local residents, but also foreign tourists. Sales of frozen food products in these areas are expected to grow as supermarkets open additional stores in response to growing tourism.

Supermarket sales of frozen food products have grown by more than any other food category in recent years. For example, sales grew by more than 25% in 2004 and 2005. Industry sources predict that it will continue to grow at a similar or higher rate over the next couple years. Bigger supermarkets are being constructed with more space allocated for frozen products in response to overall growing demand. However, not all supermarkets stores report growth rates, especially those servicing an older, more conservative population.

Although supermarket sales of frozen food products are increasing at impressive rates, the base is relatively low, as sales of frozen food represented only three to five percent of supermarket sales in 2005. While demand for these products is price sensitive, past performance suggests that sales of frozen food products will continue to rise in the short to medium term.

### C. Advantages and Challenges of U.S. Frozen Food Products

As previously stated, Costa Rica is a growing market for imported frozen food products, including those of U.S. origin. U.S. frozen food products may benefit in particular from the following advantages:

- Costa Ricans generally perceive U.S. products as high quality, which facilitates the introduction of new U.S. frozen foods.
- Some higher income class consumers are familiar with U.S. products through travels to the United States. Thus, they are more likely to purchase U.S. brands they recognize over competing brands from other countries.
- Costa Rican importers perceive U.S. frozen food products as high quality, low cost, and aesthetically pleasing. The innovative technology used to develop the wide variety of U.S. products makes them additionally attractive.
- The proximity of the United States to Costa Rica gives it an advantage over competitors such as Canada, Chile, and Europe.
- Importers are familiar with the logistics of importing from the United States. Furthermore, consolidation of small orders—an important factor for frozen food product–is more readily available in the United States than in its competitors, such as Chile or Canada.
- U.S. exporters are willing to assist Costa Rican importers with packaging, product promotion and Costa Rican import regulations. Consequently, local importers prefer buying products from the United States, with all else being equal.

The challenges that U.S. frozen food products may face are the following:

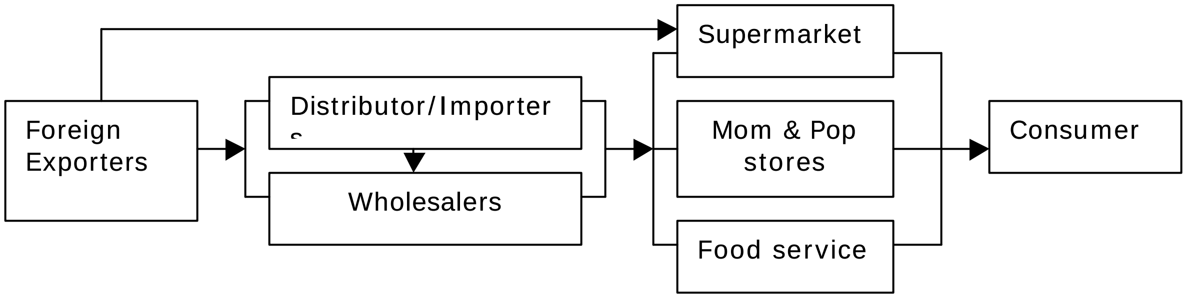
- Frozen food consumption is still very small. Costa Rican consumers generally prefer meals prepared from fresh, not frozen products. Many consumers are not familiar with frozen food products and believe that frozen food is less tasty or nutritious than fresh products.
- Transportation company and retailer personnel sometimes fail to properly handle and regulate temperature of frozen products, which detracts from quality and results in product losses.
- Many Costa Rican households, hotels, and restaurants, have limited space to store frozen products.
- Retailers, especially older supermarket outlets, are already fully utilizing available frozen food shelf space. Increasing shelf space for frozen products in stores will require investment and a reduction in space dedicated to other products.
- High tariffs applied to some imported frozen products such as french fries, ice cream and poultry.
- Locally produced beef and poultry compete at very low prices.
- Chefs lack of awareness of the use of certain frozen products.
- Imports from countries that have free trade agreements (FTAs) with Costa Rica, such as other Central American countries, Mexico, Chile and Canada are subject to lower duties than those applicable to U.S. products, given them a price advantage.
- Prices of some U.S. frozen products are relatively high, which limits demand.
- When purchasing foreign frozen food products, importers usually bring only the products known to sell the most. Other frozen products may find it difficult to break into the market, limiting further growth in this sector.

## II. Market Access

### A. Distribution Channels for Retail and Food Service Sectors

As a general rule, frozen food products flow through four different types of distribution channels; distributors, wholesalers, supermarkets, and neighborhood Mom & Pop stores (pulperias), as shown in Figure 1.

Figure 1
Distribution channel




Manufacturers and brokers export most of the frozen food products from the United States to importers/distributors or wholesalers. In Costa Rica, importers commonly act as distributors, while the majority of the supermarkets import through U.S. brokers. Costa Rican importers will often ask for consolidated export shipments because of the relatively small size of the market. Several importers and distributors interviewed for this report noted that breaks in the cold chain, due to a lack of understanding or equipment problems on the part of some in the Costa Rican industry, often causes product damages or losses.

B. Transportation Costs

Costa Rica has two major ports, Caldera on the Pacific Coast and Limon on the Atlantic. Bulk commodities constitute the majority of agricultural good imports through Caldera. Most of Costa Rica's containerized trade, including frozen food products transports through the Port of Limon, which offers good access to ports in the eastern United States and cities close to the Gulf of Mexico. Limon is slow and expensive by international standards.

Because Costa Rica exports large volumes of fresh products to the United States, U.S. frozen food companies can ship at relatively low costs in containers returning to Costa Rica. However, domestic transportation costs from company facilities to U.S. ports can contribute to costs.

Several regional transportation companies operate in Costa Rica, including Maersk Sealand and Crowley. Container carriers from Chile, such as Intramar Compañía Sudamericana de Vapores S.A. and Maruba have also opened offices in Costa Rica to handle the increasing trade between these two countries. The following table shows sample freight charges from the United States, Chile and Mexico for a 40" container delivered to the Port of Limon. U.S. exporters should review transportation options to secure low rates.

| Port of Departure | Freight Charges in U.S. Dollars |
|---|---|
| Everglades in Miami | 3,300 |
| Miami | 4,800 |
| Los Angeles | 4,981 |
| Houston | 5,035 |
| San Antonio, Chile | 4,150 |
| Altagracia, Mexico | 3,900 |

Source: Company interviews, November 2005

C. Tariffs and Import Regulations

Costa Rica is a fairly open economy, where foreigners can conduct business in most areas. It is a member of the World Trade Organization (WTO) and generally adheres to its international trade commitments, including the use of science-based sanitary and phytosanitary measures. Costa Rica's foreign trade policy is geared at establishing free trade agreements with key partners, including the United States. Costa Rica has in effect several agreements with other food exporting countries, such as, Chile, Canada, Mexico and other Central American countries. This creates strong competition for the United States as these countries now enjoy lower duties (in many cases zero duties) for products that compete directly with U.S. products.

a. Tariffs

Costa Rica applies relatively low tariffs on frozen food imports, many around 15%. Sensitive products, such as chicken meat and processed poultry, frozen french fries, and ice cream products have higher tariffs ranging from 41% to 151%. The high tariffs applied to sensitive products limit their import into Costa Rica. Under CAFTA-DR, tariff elimination over time would allow U.S. exporters of frozen products to better compete with products from countries enjoying lower import tariffs under Costa Rica's other FTAs.

Details on import tariffs, tariff-rate quotas and tariff phase-outs negotiated under CAFTA-DR can be found at:
www.ustr.gov/Trade_Agreements/Bilateral/CAFTA/CAFTA-DR_Final_Texts/Section_Index.html.

Tariff treatment for selected U.S. frozen product exports to Costa Rica would be as follows:

1. Frozen High Quality Beef Cuts
   HS code: 02023000
   Base import tariff rate: 15%
   Tariff phase-out: immediate for prime and choice meat; 15 years for others, with tariff remaining at base rate during first 4 years from the date the Agreement enters into force.
   Tariff-rate quota: none

2. Frozen Poultry
   HS code: whole turkey: 02072500; whole duck: 02073300; chicken breasts: 02071491;
   chicken leg quarters: 02071499
   Base import tariff rate: 41% for whole turkey; 15% for whole duck; 41% for chicken breasts and 151% for chicken leg quarters;
   Tariff phase-out: 10 years for whole turkey; immediate for whole duck; 5 years for chicken breasts and 17 years for chicken leg quarters with tariff remaining at base rate for first 10 years from the date the Agreement enters into force
   Tariff-rate quota: chicken leg quarters: from 330 metric tons in year 1 to 780 metric tons in year 16
   In-quota tariff rate: Chicken leg quarters: 0%

3. Frozen Seafood
   HS code: fish fillets: 030420; crustaceans: 0306; mollusks: 0307
   Base import tariff rate: 15% for fish fillets; 10% for crustaceans and mollusks
   Tariff phase-out: immediate for fish fillets and crustaceans; immediate for calamari, 5 years for octopus
   Tariff-rate quota: none

4. Frozen Vegetables
   HS code: sweet peas: 07102100; yellow corn: 07104000; vegetable mix: 07109000
   Base import tariff rate: 15%
   Tariff phase-out: 5 years for sweet peas immediate for yellow corn; 12 years for vegetable mix
   Tariff-rate quota: none

5. Frozen Fruit
   HS code: 0811
   Base import tariff rate: 15%
   Tariff phase-out: Immediate, except for berries 10 years
   Tariff-rate quota: none

6. Beef preparations (i.e. seasoned beef patties, beef burritos)
   HS code: 16021010
   Base import tariff rate: 15%
   Tariff phase-out: 15 years
   Tariff-rate quota: none

7. Processed poultry products (i.e. chicken burritos, patties, empanadas; turkey patties)
   HS code: 16021020
   Base import tariff rate: 151%
   Tariff phase-out: Immediate
   Tariff-rate quota: none

8. Fish preparations (i.e. breaded fish fingers, breaded fish fillets)
   HS code: 16042000
   Base import tariff rate: 15%
   Tariff phase-out: 15 years
   Tariff-rate quota: none

9. Frozen Pasta
   HS code: 19022000
   Base import tariff rate: 15%
   Tariff phase-out: 15 years
   Tariff-rate quota: none

10. Frozen French Fries
    HS code: 20041000
    Base import tariff rate: 41%
    Tariff phase-out: 5 years
    Tariff-rate quota: from 2,631 metric tons in year 1 to 3,046 in year 4.
    In-quota tariff rate: 0%

11. Ice Cream
    HS code: 21050000
    Base import tariff rate: 41%

Tariff phase-out: 5 years
Tariff-rate quota: from 2,631 metric tons in year 1 to 3,046 in year 4.
In-quota tariff rate: 0%

b. Import Regulations

Costa Rica's customs procedures can be complex and bureaucratic, but have improved somewhat since the passage of the 1995 General Customs Law and with the approval of a new electronic customs system known as TICA (Information Technology for the Customs System). Much of the necessary processing is now accomplished electronically, and "one stop" import and export windows have significantly reduced the time required for customs clearance.

Costa Rica generally requires only invoices, bills of lading, and airway bills to import goods. Imports of bulk agricultural and horticultural products require plant health certificates. Most processed food products (canned, boxed, and pre-cooked goods) do not require plant health or animal health certificates, but exporters should check requirements with their importers, who are ultimately responsible for knowing local regulations. Food Safety and Inspection Service (USDA/FSIS) export certificates are required to import fresh and frozen meats.

Imported food products must be registered prior to importation at the Ministry of Health's Registration and Control Department (Ministerio de Salud, Dirección de Registros y Controles.) Registration is valid for five years and importers usually take care of registering products. However, once a product is registered, any company may import it For this reason, importers sometimes ask suppliers to share the costs of the registration process. If a company wants to import a product that has already been registered, the company must still pay the full registration fee, which is currently set at $100 per product. The Ministry of Health has five working days to process a registration request after all the required documentation is submitted.

To register a product, the following documents must be submitted:

- Registration request form signed by the legal representative of the company.
- Certificate of free sale issued by health or other appropriate authority in the country of origin, indicating that the products being exported to Costa Rica are allowed for free sale and consumption in the country of origin. This document must be authenticated by the Costa Rican consul and countersigned by the Costa Rican Ministry of Foreign Relations. The document may include one or several products and must be less than two years old. If the document is written in a language other than Spanish, it must be accompanied by an official translation from the Ministry of Foreign Relations.
- Original label of the product. If the label is in a language other than Spanish, an official translation of the label must also be attached. If the label is printed directly on the container, an original container and a copy of the label must be submitted.
- Paid receipt of the registration fee, currently $100 per product.

The Ministry of Health will return a registration application package if it contains errors, delaying the processing time. In some instances documentation violations may incur heavy fines. Consequently, great care must be taken to avoid errors and violations. FAS/San Jose's Food and Agricultural Import Requirements (FAIRS) Report contains additional information on

Costa Rican food import requirements. See http://www.fas.usda.gov/itp/ofsts/fairs_by_country_results.asp?Cntry=CS.

c. Labeling Requirements

All imported products must meet the food labeling law, which requires that labels be in Spanish and showing the following information:

- Product name.
- Net content and drained weight in international system units.
- Artificial colors and flavors (if any).
- Ingredients listed in decreasing order, by weight.
- Importer's name and address.
- Lot number and expiration date.
- Country of origin.
- Preservation and use instructions.

Despite the language requirement, other languages may be used as well, as long as the required information is included in Spanish. Stick-on labels are allowed and may be affixed post entry into Costa Rica.

Costa Rican Ministry of Economy's Labeling Department enforces labeling requirements. Producers and importers must comply with current labeling regulations. Significant fines await those whose products are found in the marketplace without a label that complies with the current legislation.

d. Approval of Beef and Poultry plants

The Costa Rican Ministry of Agriculture must approve foreign meat and poultry plants before they may export to Costa Rica. The procedure for getting a plant inspected is time-consuming, as Costa Rican authorities do not have the necessary personnel to conduct on-site visits in foreign countries in a timely manner. To request an inspection, send an e-mail (asandi@protecnet.go.cr) to the Director of Animal Health of the Ministry of Agriculture, indicating the plant(s) to be inspected and the location. Either the importer or the exporter must bear the cost of the inspection visit. U.S. plants approved by MAG are listed in the following website: www.protecnet.go.cr/salud/websaludanimal/zoointernacional.htm.

## III. Competition

Chile, Canada, Nicaragua, Mexico and Guatemala are the main competitors of U.S. frozen products in Costa Rica. As a result of free trade agreements, these countries enjoy tariff advantages or duty free access for some products and can therefore offer lower-priced products. Chile is a strong competitor in the following frozen categories: beef, seafood, vegetables, fruits and pastas. Canada competes with the United States for frozen french fries and frozen vegetables. Nicaragua is the biggest exporter of ice cream and the third largest exporter of frozen beef to Costa Rica. Guatemala is a strong competitor for ice cream products and Mexico for frozen beef. Costa Rican frozen food companies are producing increasing amounts of processed beef and poultry products, appetizers, and side dishes. While few, these firms are not only important domestic suppliers, but also have an important export component. They are very much aware of the challenges presented by imported products and the potential export opportunities available with CAFTA. Local producers of frozen food are responding to those challenges and opportunities by improving their internal structure and efficiency. They have also promoted strategic alliances with local and foreign firms aimed at modernizing the industry and seizing a larger market.

**Frozen Beef:**

Beef is one of the most imported frozen products in Costa Rica. The expansion of the tourism sector and, to a lesser extent, rise in household incomes have largely fueled the demand for frozen beef. Out of total beef imports, high quality beef cuts have the highest growth. However, it is not possible to completely separate high quality cuts from broader categories of trade data. Frozen beef imports identifiable as product for final consumption was used as an indicator to measure the potential market size for this category.

The distribution of beef to hotels and restaurants, already a large market segment, is growing. Hotels and restaurants located near high income residential areas or in tourist resorts, especially along the Pacific Coast, are increasing purchases of premium and choice beef cuts. Consumers in this market segment are willing to pay a higher price for cuts imported from the United States. Importers also purchase beef from Chile and Nicaragua, but cuts from those countries are generally smaller and aged less than those from the United States. Imported meat from Chile and Nicaragua also comes from lower weight or older cattle. Because of these characteristics, imported beef from Chile and Nicaragua are sold at lower prices to mainly smaller hotels and restaurants. Prices of most beef products from Chile and Nicaragua are similar to those of local origin.

Frozen beef is not sold in significant quantities at supermarkets. Consumer preferences for fresh meat, coupled with the high prices of frozen beef, limit purchases of this product at the retail level. High-income families and foreign residents are among the most common buyers of frozen meat. Local consumers still buy beef for immediate consumption, i.e. within two days to a week, and therefore usually buy fresh. Some supermarket chains are beginning to offer high quality frozen Costa Rican beef in an attempt to offer lower prices to this market segment.

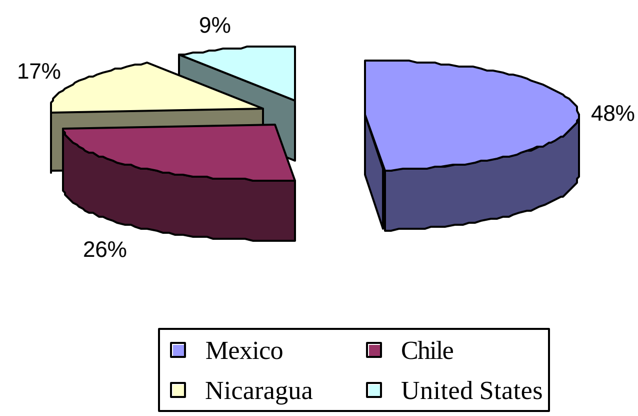
**Table 1**
**Import Volume of Frozen Beef (2001-2005)**
**(Metric Tons)**

| Country | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Mexico | 0 | 0 | 0 | 473 | 596 |
| Chile | 69 | 548 | 609 | 243 | 313 |
| Nicaragua | 139 | 154 | 80 | 333 | 204 |
| United States | 184 | 254 | 276 | 13 | 111 |
| Guatemala | 700 | 639 | 639 | 170 | 0 |
| Panama | 46 | 210 | 18 | 0 | 0 |
| Others | 0 | 34 | 0 | 0 | 0 |
| | | | | | |
| **Total** | **1,138** | **1,839** | **1,622** | **1,233** | **1,225** |

HS Code: 02023000
Source: Prepared from data of the National Institute for Statistics and Census (INEC)

Table 1 shows Costa Rica's imports of frozen beef during the period 2001-2005. Graph 1 presents the market share for this product in 2005. The country imported 1,225 metric tons of frozen beef in 2005, a slight drop from 2004. Overall imports have decreased since 2003 when the Ministry of Agriculture dropped the number of plants from its approved list due to the expiration of their approval. Industry sources indicate that new plant approvals and hotel/restaurant demand are stabilizing import levels and bodes well for the future. Costa Rica temporarily prohibited the importation of U.S. beef as a result of a case of BSE in the United States in 2004.

**Graph 1**
**Import Market Share for Frozen Beef**
**by Volume**
**(2005)**




Source: Prepared from Table 1

Mexico has been the main exporter of frozen beef to Costa Rica during the last two years, followed by Chile and Nicaragua. A considerable amount of the frozen beef imported from Mexico is purchased as hamburger patties for at least one fast food chain. The United States ranked as the fourth largest exporter in 2005. Most of the frozen U.S. beef imported by Costa Rica is prime and premium cuts.

At present, imported beef products have a 15% import tariff. However, Mexico, Central America, and Chile, as free trade partners of Costa Rica, have market access advantages over the United States. Beef from Mexico and Central America enters Costa Rica duty free. Chile has a tariff/rate quota for frozen beef exports to Costa Rica, with an in-quota tariff rate of 3.0%. The out-of-quota tariff rate decreases from 4.9% in 2006 to 3.0% in 2008 and will reach zero by the year 2011. Lower duties are a factor behind the large market share of frozen beef by Costa Rica's free trade partners. However, the CAFTA-DR is expected to level this playing field for the United States.

**Frozen Seafood:**
Hotels and restaurants are also increasing demand for frozen seafood. The food service sector is becoming increasingly aware of the advantages of buying frozen seafood, such as

the availability of the product throughout the year, the quality consistency, and the relatively stable prices. U.S. frozen seafood competes with Chilean and local product and is highly regarded for its quality. Nevertheless, Chilean products are also popular because of their low cost and high quality.

Supermarket sales of frozen seafood are relatively small. Consumers purchasing at the retail level prefer to buy these products fresh. Lack of public awareness on the nutritional characteristics of these products also hinders the growth of this category. Nevertheless, demand for frozen seafood is beginning to show modest signs of growth in supermarkets as consumers become more aware of the sanitary processing conditions and extended shelf life of these products. Supermarket sales of frozen seafood are higher at or near tourism regions visited by foreign tourists or frequently visited by foreign residents, who are more used to purchasing these products frozen.

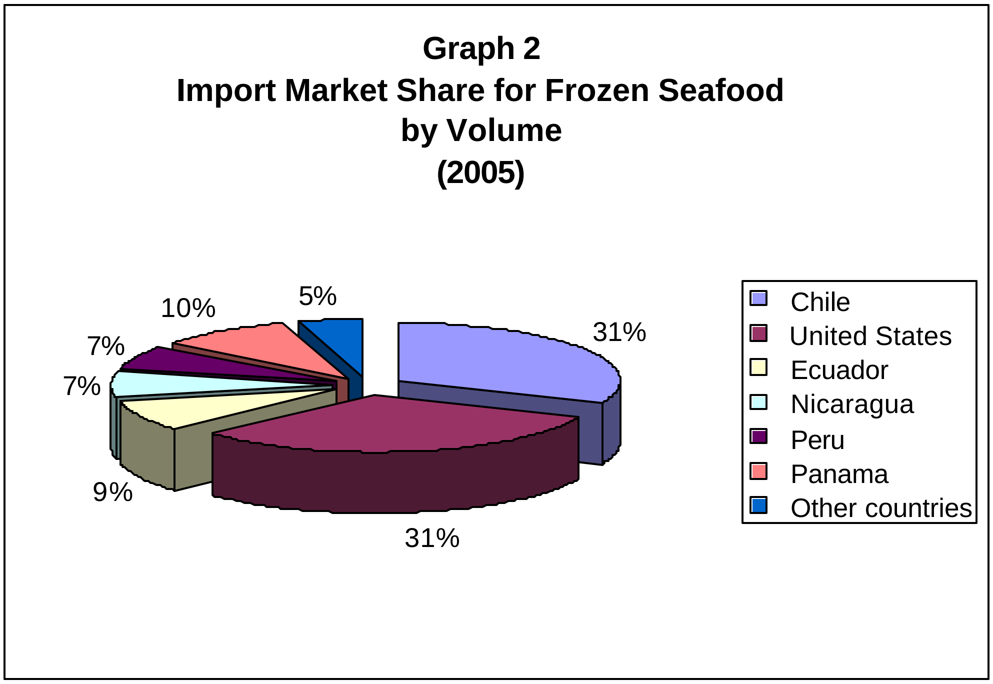
**Table 2**
**Import Volume of Frozen Seafood (2001-2005)**
**(Metric Tons)**

| Country | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Chile | 27 | 10 | 29 | 70 | 100 |
| United States | 71 | 79 | 79 | 77 | 101 |
| Ecuador | 0 | 20 | 5 | 0 | 28 |
| Nicaragua | 131 | 1 | 0 | 8 | 22 |
| Peru | 0 | 72 | 134 | 112 | 21 |
| Panama | 1 | 13 | 0 | 0 | 31 |
| Others | 4 | 18 | 27 | 42 | 15 |
| | | | | | |
| **Total** | **234** | **214** | **275** | **309** | **320** |

Includes HS Codes 030420, 0306 and 0307
Source: Prepared from data of the National Institute for Statistics and Census (INEC)

Table 2 presents the volume of frozen seafood imported by Costa Rica during the period 2001-2005. Graph 2 compares the amount of U.S. exports of frozen seafood to this market with the amount supplied by its main competitors.

The total amount of frozen seafood imported by Costa Rica increased from 234 metric tons to 320 metric tons during the five-year period. Chile and the United States are the largest exporters of frozen seafood to this country, both sharing a similar portion of the market in 2005. Ecuador and Nicaragua followed in a distant third and fourth place, respectively, after a sharp decline in Peru's exports to this market.




Source: Prepared from Table 2

Salmon and tilapia fillets, octopus, calamari, shrimp, seafood mix, and, to a lesser extent, crabmeat are Costa Rica's most important frozen seafood product imports. Chile is the main supplier of salmon fillets, while Ecuador is the largest source of tilapia fillets. The United States and Chile are the main suppliers of crabmeat, while Nicaragua is the leading source of shrimp. The United States and New Zealand are the main providers of calamari and the United States is the largest supplier of octopus, followed by Panama in distant second place.

Frozen fish fillets are subject to an import tariff rate of 15%, but enter duty free if purchased from Central American countries. Salmon fillets from Chile also enter the Costa Rican market free of duty under the Costa Rica-Chile FTA. Shrimp and crabmeat have an import tariff rate of 10%, but if bought from Central America and Chile, enter duty free. The tariff rate for calamari is 1% and for octopus 10%. The main competitors of the United States in these categories (calamari and octopus) have to pay the same duties as the United States.

**Frozen French Fries:**

French fries are among the most popular frozen products in Costa Rica. French fries are not produced locally since Costa Rican producers do not grow the specific type of potato required by this industry. Therefore, 100% of frozen French fries are imported.

Supermarket sales account for about 25% of the frozen French fry market. Consumers welcome the convenience of frozen French fries and they are relatively inexpensive, which makes them more affordable to the population in general.

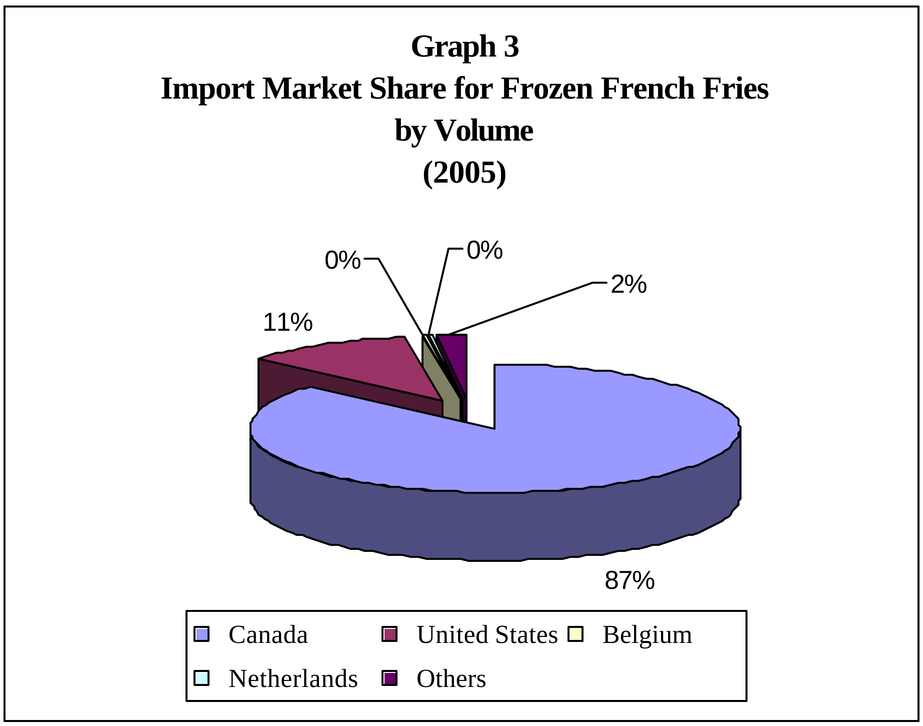
Hotels and restaurants are the biggest buyer of frozen French fries, representing approximately 75% of total sales. Sales of pre-cut French fries are also increasing in hotels and restaurants. Industry sources forecast that demand for this product will grow by 20% in

2006. Tourism has been the greatest contributor to the increase in demand for frozen French fries, as well as most other frozen products in the food service sector.

**Table 3**
**Import Volume of Frozen French Fries (2001-2005)**
**(Metric Tons)**

| Country | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Canada | 1,798 | 1,365 | 4,612 | 7,903 | 6,762 |
| United States | 2,156 | 2,039 | 456 | 324 | 866 |
| Belgium | 465 | 680 | 448 | 21 | 24 |
| Netherlands | 2.024 | 2,536 | 1,965 | 268 | 22 |
| Others | 28 | 211 | 60 | 0 | 159 |
| | | | | | |
| **Total** | **6,470** | **6,831** | **7,540** | **8,516** | **7,833** |

HS Code: 2041000
Source: Prepared from data of the National Institute for Statistics and Census (INEC)




Source: Prepared from Table 3

Table 3 represents the amount of frozen French fries imported by Costa Rica during the period 2001-2005, while Graph 3 shows the market share of the main supplier countries of this product in 2005. The volume of Costa Rican foreign French fry imports grew from 6,470 metric tons in 2001 to 7,833 metric tons of in 2005. Canada is the main exporter of this product, followed by the United States and the Netherlands. Canadian brands, representing a variety of presentations and prices, are well established in Costa Rica and benefit from a tariff rate quota under the Costa Rica-Canada FTA. The entry into force of this TRQ in 2003 cut sharply into U.S. and Dutch sales in Costa Rica, as imports of frozen French fries from these countries remain subject to a 41% duty. The main Canadian brand has a strong presence in Central America, with a regional marketing office located in Costa Rica.

**Ice Cream:**

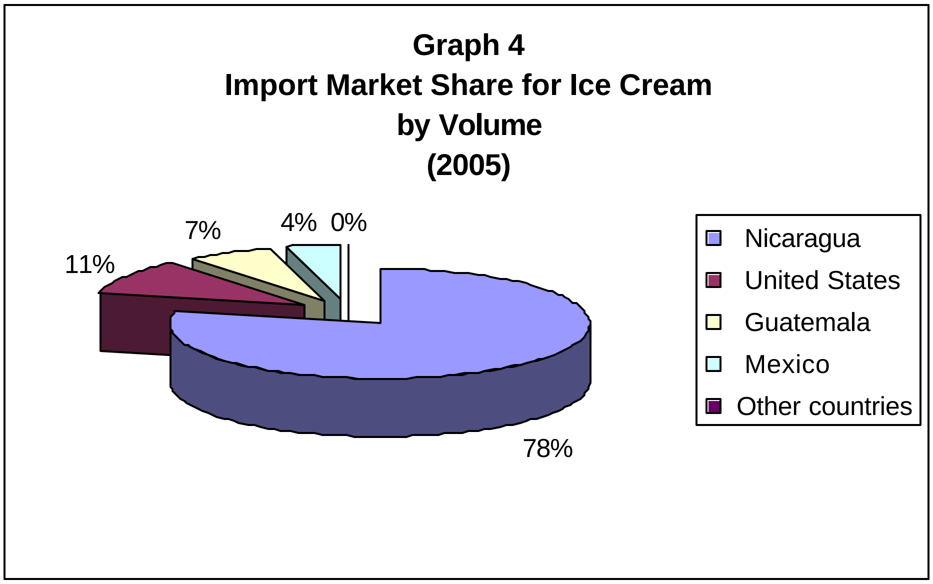
Ice cream is the top selling frozen product at supermarkets, representing approximately 25% of total supermarket sales of frozen items. In 2005, ice cream sales grew approximately 5%. Industry sources forecast that this product category will continue to grow in the short term at a rate similar to the increase in population which is roughly 2% per year.

Consumers can choose from a variety of local and imported brands. Nevertheless, the Dos Pinos Cooperative, a local producer, controls 80% of the market. This company is very well positioned, undertakes aggressive marketing campaigns, and services all the segments of the population. Nicaraguan and Guatemalan brands have lower prices than ice creams of similar quality and therefore have earned a good reputation among consumers.

**Table 4**
**Import Volume of Ice Cream (2001-2005)**
**(Metric Tons)**

| Country | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Nicaragua | 0 | 218 | 386 | 532 | 561 |
| United States | 78 | 81 | 76 | 70 | 75 |
| Guatemala | 0 | 475 | 239 | 266 | 48 |
| Mexico | 62 | 71 | 109 | 40 | 29 |
| Others | 91 | 20 | 0 | 1 | 0 |
| | | | | | |
| **Total** | **231** | **864** | **810** | **910** | **714** |

HS Code: 21050000
Source: Prepared from data of the National Institute for Statistics and Census (INEC)




Source: Prepared from Table 4

Table 4 represents the amount of ice cream imported by Costa Rica during the period 2001-2005. Graph 4 compares the amount of U.S. ice cream supplied to this market with the amount supplied by its main competitors. Total imports increased from 231 metric tons to 714 metric tons during this period. In 2002, imports grew significantly when Nicaragua and Guatemala entered the Costa Rican market. Nicaragua has been the leading supplier of ice cream to Costa Rica over the last three years (2003-2005). The United States is the second largest supplier, followed by Guatemala and Mexico. Costa Rican imports of U.S. ice cream decreased slightly over the five-year period. The import duties on imported ice cream are 66%. Product from Central America and Mexico enter free of duty as the result of their respective FTAs with Costa Rica.

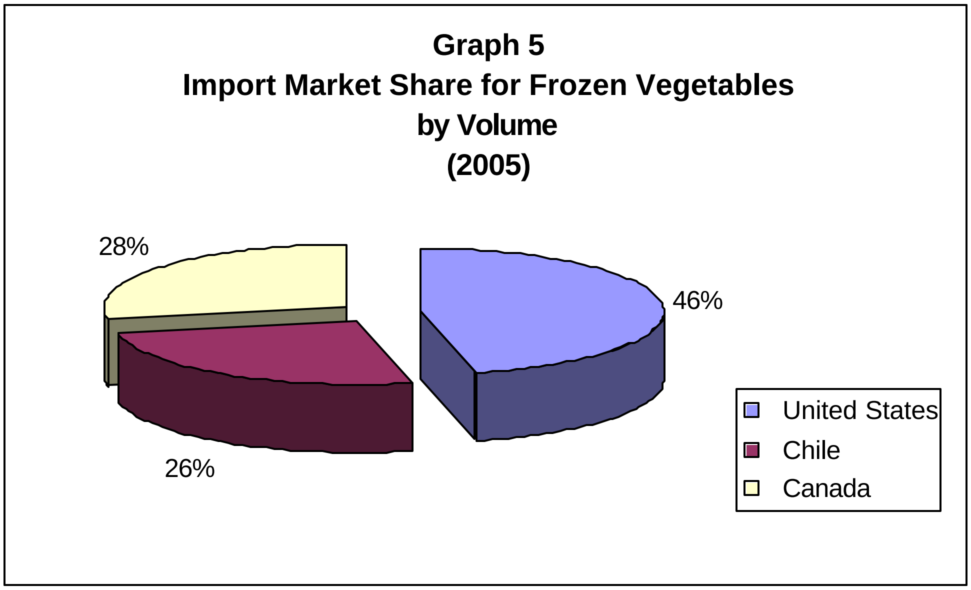
**Frozen Vegetables:**

Table 5 represents the amount of frozen vegetables imported by Costa Rica during the period 2001-2005. Graph 5 compares U.S. import market share to those of its main competitors in 2005.

**Table 5**
**Import Volume of Frozen Vegetables (2001-2005)**
**(Metric Tons)**

| Country | 2.001 | 2002 | 2.003 | 2004 | 2.005 |
|---|---|---|---|---|---|
| United States | 105 | 127 | 132 | 152 | 93 |
| Chile | 0 | 0 | 29 | 37 | 52 |
| Canada | 44 | 112 | 23 | 32 | 56 |
| Mexico | 6 | 12 | 4 | 8 | 0 |
| Others | 0 | 3 | 4 | 1 | 0 |
| | | | | | |
| **Total** | **155** | **254** | **192** | **230** | **202** |

Includes HS Codes 07102100, 07104000 and 07109000
Source: Prepared from Data of the National Institute for Statistics and Census (INEC)




Source: Prepared from Table 5

Costa Rican imports of frozen vegetables increased over the five-year period from 155 metric tons to 202 metric tons. In 2005, however, a drop in U.S. sales caused total imports to fall. The United States is the largest supplier of frozen vegetables to Costa Rica, followed by Chile and Canada. The primary imported products are vegetable mixes, yellow corn and sweet peas.

The import tariff rate for frozen vegetables is 15%. Countries with which Costa Rica has an FTA enjoy a duty advantage over U.S. products in this category. Frozen sweet peas imported from Canada, Chile and Mexico enter free of duty. Frozen vegetable mixes and yellow corn from Mexico and Chile also enter duty free. In 2006, Canadian frozen yellow corn is subject to an import tariff rate of 10%. Under the Costa Rica-Canada FTA tariff phase out schedule, the tariff rate applied to frozen yellow corn from Canada decreases by 1% each year until it reaches zero in 2016.

The hotel and restaurant sector has driven the rising demand for frozen vegetables, as chefs and restaurant personnel appreciate the convenience of frozen pre-cut vegetables. In contrast, supermarket sales of frozen vegetables are small. Consumers prefer fresh vegetables, which are available year-round and are less inclined to purchase higher priced frozen presentations. A lack of promotional activities and information regarding the nutritional value of frozen vegetables has also impeded growth in supermarket sales.

**Processed Beef and Poultry Products and Appetizers:**

Frozen processed meats, especially those prepared from beef and poultry, are another important component of frozen products sold in supermarkets. Beef and chicken patties, breaded chicken thighs, and other processed chicken products are in high demand and represent the second most sold category of frozen products at supermarkets. In 2005, sales of processed beef products grew approximately 15%, while similar chicken products grew at approximately 5%. Processed chicken products came almost exclusively from Costa Rican manufacturers. Less aggressive marketing may explain the lower growth rate. Local products' processing plants plan to further develop this line of business. In addition to meat products, sales of fish burgers, fish sticks, tilapia, and ready-to-fry and pre-cooked salmon medallions are also expanding, although at lower rates.

Data on local production is not available for processed beef and poultry products. Costa Rican statistics show that processed beef products have been insignificant and imports of frozen processed poultry were zero in these years. The limited number of U.S. meat and poultry processing plants approved by Costa Rica hampers U.S. exports. Import duties of 151% applied to processed poultry products also negatively impacts their importation. Imported processed beef products pay a 15% import tariff rate.

Demand for frozen appetizers has also grown recently, although sales of these products are not as high as those of frozen processed meats. Yucca turnovers, beef and chicken burritos, and beef and chicken tacos are the items most requested by consumers. Most of the products in this category are produced in Costa Rica using local ingredients. In the case of meat-based products importation of these items are constrained by high tariffs (151% import duties for poultry products) and the limited number of approved processing plants abroad.

Processed meat products and appetizers are commonly consumed in Costa Rica. They appeal to consumers because of their low price, taste, good quality and convenience.

**Frozen Poultry:**

Whole chicken and chicken parts are the poultry products with the highest demand in Costa Rica. However, consumers prefer to buy them refrigerated, not frozen. Duties on whole chicken or chicken parts range from 41% to 151%. Costa Rica imports very small amounts of these products and domestic companies dominate the market.

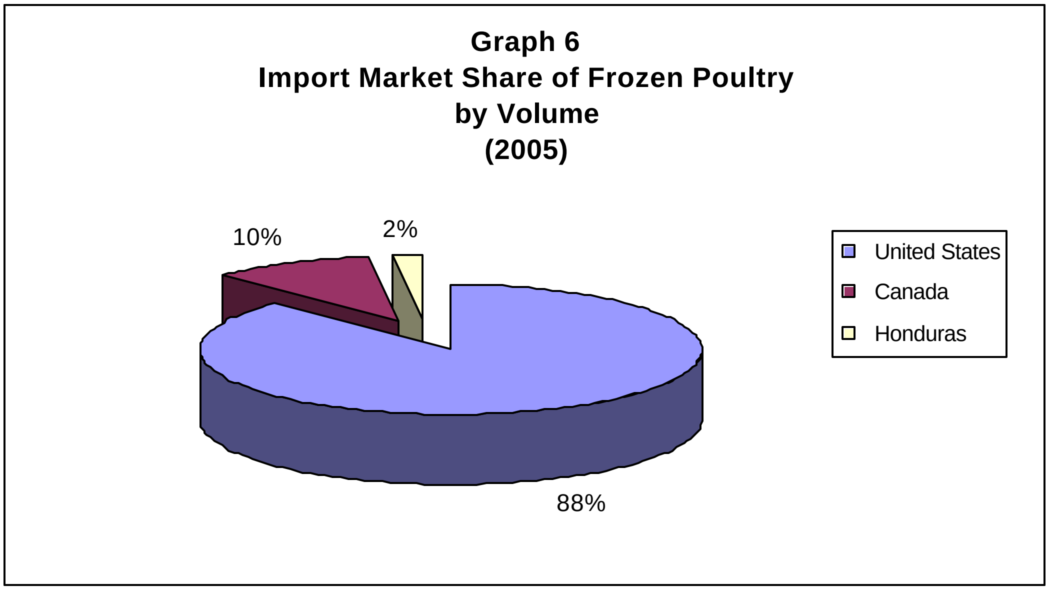
Table 6 represents the amount of frozen poultry imported by Costa Rica for final consumption during the period 2001-2005. Not included in this table is frozen poultry imported as input for processing industries. Graph 6 shows the market share of the United States and its main competitors for this product in 2005.

**Table 6**
**Import Volume of Frozen Poultry (2001-2005)**
**(Metric Tons)**

| Country | 2001 | 2002 | 2.003 | 2004 | 2005 |
|---|---|---|---|---|---|
| United States | 100 | 117 | 129 | 104 | 76 |
| Canada | 0 | 0 | 0 | 8 | 9 |
| Honduras | 0 | 0 | 1 | 0 | 2 |
| Chile | 42 | 0 | 0 | 0 | 0 |
| | | | | | |
| **Total** | **142** | **117** | **130** | **111** | **87** |

Includes HS Codes 02072500, 02073300 and 02071491

Source: Prepared from Data of the National Institute of Statistics and Census (INEC)




Source: Prepared from Table 6

Imports of frozen poultry for final consumption decreased from 142 metric tons to 87 metric tons during the five-year period. The United States has been the main supplier of frozen poultry, selling mainly frozen whole turkey and ducks. Canada and Honduras are the main competitors of the United States, although ranking in a distant second and third place, respectively. In the case of frozen whole turkey, the product is imported for final consumption and as input for one domestic processor, which imports whole turkey and turkey parts to prepare deli-type products. Consumption of turkey meat has been growing as consumers have become increasingly health conscious. Consumer demand for frozen turkey peaks during November and December, during which foreign residents celebrate Thanksgiving and some Costa Rican households prepare turkey as an alternative to more traditional menus served at Christmas dinners.

Costa Rica has established a tariff-rate-quota for chicken imports as part of its WTO commitments. A total of 1,170 metric tons of chicken parts may enter the market each year at an in-quota tariff of 34%.
The following HS codes identify the specific chicken products included in the WTO tariff-rate-quota: 02071392, 0207139310, 0207139910, 0207149210, 0207149310, 0207149910.

**Frozen Fruit:**

Imported frozen fruit is sold in modest quantities in Costa Rica, primarily in the retail and food service sectors. Foreign tourists are generally more interested in eating fresh locally grown tropical fruits than the products typically found in their own countries of origin. Importers report modest sales of frozen blueberries, cherries and raspberries. Hotels and restaurants import high quality and low cost frozen strawberries from Chile. Imported strawberries are frozen using a technology that prevents the berries from sticking to each other. Food service buyers prefer the imported product treated with this technology over local strawberries, which are of lower quality. Frozen fruit is used mainly as an ingredient in desserts and drinks.

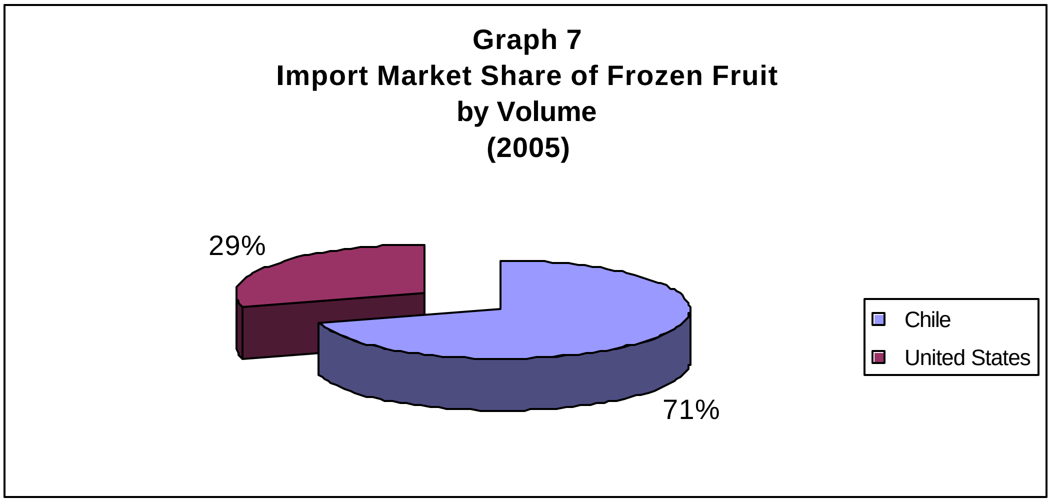
Frozen fruit is sold in small quantities in supermarkets. Frozen strawberries are the most popular product in this category, although they are not always available since importers bring in only small amounts relative to demand. Frozen mangoes are also offered at some supermarkets. At least one supermarket chain is considering importing U.S.-origin frozen fruit, such as blueberries and cherries, which are not readily available in Costa Rica.

Table 7 represents the quantity of frozen fruit imported by Costa Rica during the period 2001-2005. Graph 7 shows the import market share of U.S. product and those of its sole competitor (Chile) in 2005.

**Table 7**
**Import Volume of Frozen Fruit (2001-2005)**
**(Metric Tons)**

| Country | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Chile | 0 | 46 | 50 | 46 | 51 |
| United States | 183 | 40 | 24 | 25 | 21 |
| Other countries | 27 | 42 | 1 | 2 | 0 |
| | | | | | |
| **Total** | **210** | **128** | **74** | **73** | **73** |

HS Code 0811
Source: Prepared from data of the National Institute for Statistics and Census (INEC)




Source: Prepared from Table 7

The volume of imported frozen fruit, primarily strawberries, decreased from 210 metric tons to 73 metric tons during this period. Import volumes have remained flat during the last three years. Chile is the largest exporter of frozen fruit and the United States' main competitor. Exports of U.S. frozen fruit to Costa Rica fell from 183 metric tons in 2001 to 21 metric tons in 2005.

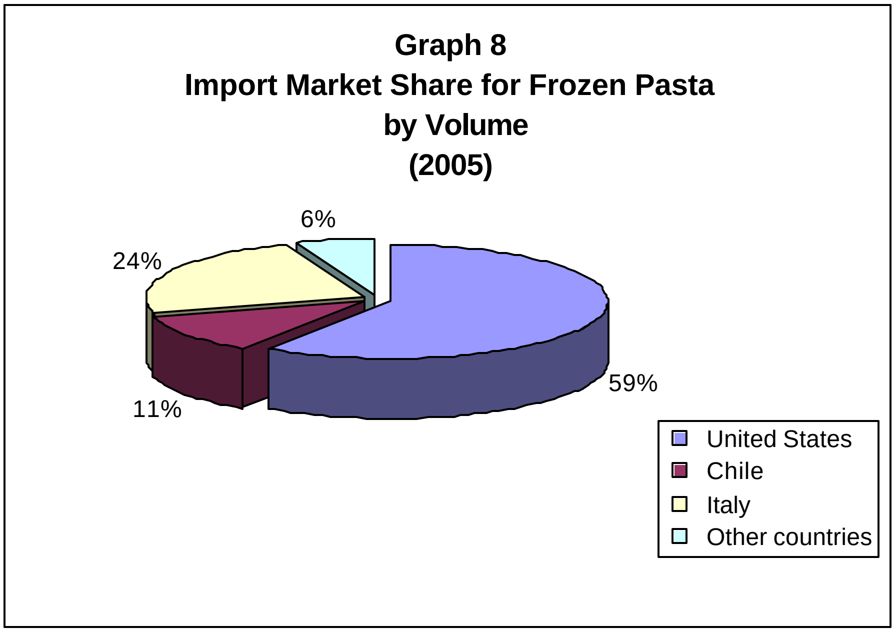
**Frozen Pasta:**

Table 8 represents the amount of frozen pasta imported by Costa Rica during the period 2001-2005. Graph 8 compares the amount of imported U.S. pasta with the amount supplied by its main competitors. Purchases of imported pasta have decreased by half during the period, from 63 metric tons in 2001 to 30 metric tons in 2005, as total imports diminished during the last three years (2003-2005). The United States is the largest seller of imported frozen pasta in this market, followed by Chile and Italy.

**Table 8**
**Import Volume of Frozen Pasta (2001-2005)**
**(Metric Tons)**

| Country | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| United States | 38 | 43 | 21 | 18 | 19 |
| Chile | 7 | 9 | 9 | 7 | 6 |
| Italy | 15 | 29 | 4 | 12 | 5 |
| Other countries | 4 | 1 | 11 | 0 | 1 |
| | | | | | |
| **Total** | **63** | **82** | **45** | **37** | **30** |

HS Code 19022000
Source: Prepared from data of the National Institute for Statistics and Census (INEC)




Source: Prepared from Table 8

The majority of available frozen pastas are locally produced. Frozen pastas filled with beef or vegetables are among the most widely offered local products at supermarkets. Imported pasta is subject to an import tariff of 15%.

**Frozen Desserts, Frozen Bread and Frozen Juices:**

Demand for frozen desserts at supermarkets is also small, according to industry sources. Consumers prefer refrigerated ready-to-eat desserts, which are available at numerous points of sales in the country. The higher price of frozen desserts also limits sales. There are no local manufacturers of these frozen products and few imported products from the United States or Canada. Vanilla and chocolate cakes and apple, strawberry and cherry pies are among the most available desserts from these countries. Lack of consumer awareness of preparation techniques has hindered sales. More aggressive marketing techniques, such as tasting at points of sale and other promotional activities, are necessary to boost sales of these products.

Sales of frozen bread are insignificant in supermarkets. Only one brand of Costa Rican origin is displayed at supermarkets. As with other categories, consumers prefer to buy fresh bread over frozen and are accustomed to buying freshly baked bread daily. Demand for frozen bread and frozen desserts is low in the food service sector, especially among hotels and restaurants that have their own in-house pastry chefs who prefer fresh products. Most of the imported frozen desserts, such as cakes and pies, are sold at supermarkets. Frozen pies are the most common product purchased by hotels and restaurants.

Frozen juices are a relatively insignificant category in supermarket sales. Costa Rica's ample supply of tropical juices and fruits at relatively low prices explain the consumer's lack of interest in this product category.

Because import data of frozen and non-frozen versions of these products are aggregated together, it is impossible to provide specific import data for the frozen products discussed in this section.

## IV. Best Prospects

Best Prospects are those products that have potential opportunities in the local market. Products were ranked based on field research and interviews with trade contacts. Opportunities within CAFTA-DR were also considered, especially for products that will enjoy a tariff rate quota, products subject to immediate tariff elimination or with tariff phase-outs of a few years. Frozen products with the highest market potential include the following (ranked in order of importance): French fries, beef, seafood, and ice cream. Frozen vegetables, as well as frozen processed beef and poultry products, also have potential opportunities in Costa Rica, although imports of these products are small or non-existent at present.

**Frozen French Fries:**

Frozen French fries are one of the most highly demanded frozen products in Costa Rica. Consumers appreciate their ease of preparation and are familiar with them as a food staple. The value of imported frozen French fries grew from $4.8 million in 2001 to $6.6 million in 2005, as shown in Table 9. The import value of this product increased by an average 9.5% per year during the five-year period and is expected to continue its strong growth in the near future.

**Table 9**
**Import Value of Frozen French Fries (2001-2005)**
**(US$)**

| Country | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Canada | 1,488,884 | 1,195,955 | 3,760,959 | 6,288,756 | 5,735,364 |
| United States | 1,613,885 | 1,581,924 | 416,589 | 299,791 | 690,564 |
| Belgium | 291,027 | 452,848 | 294,920 | 17,920 | 12,207 |
| Netherlands | 1,353,138 | 1,701,861 | 1,245,531 | 228,103 | 15,563 |
| Others | 17,103 | 140,107 | 39,184 | 824 | 119,371 |
| | | | | | |
| **Total** | **4,764,037** | **5.072.695** | **5.757.183** | **6,835,394** | **6,573,069** |

Source: Prepared from data of the National Institute for Statistics and Census (INEC)

U.S. frozen french fries are quality competitive. However, because Canadian products enjoy duty free status under a tariff rate quota, prices for Canadian french fries are lower in Costa Rica. Once CAFTA-DR is in effect, U.S. french fries will also benefit from a tariff rate quota, evening out this disadvantage. Under CAFTA-DR, tariffs on U.S. french fries will be phased out in five years. The current import tariff rate for frozen french fries is 41%.

**Frozen Beef:**

Frozen beef is a best prospect for U.S. exporters because of the growing demand for this product in the food service sector. This growth corresponds to the increasing number of foreign tourists visiting Costa Rica. High-end hotels and fine restaurants are increasingly demanding U.S. high quality beef cuts.

**Table 10**
**Import Value of Frozen Beef (2001-2005)**
**(US$)**

| Country | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Mexico | 0 | 0 | 0 | 1,408,936 | 1,899,266 |
| Chile | 294,598 | 1,439,489 | 1,805,065 | 1,083,666 | 1,175,400 |
| Nicaragua | 351,583 | 445,948 | 180,597 | 856,583 | 575,959 |
| United States | 671,348 | 866,282 | 955,570 | 89,063 | 501,982 |
| Guatemala | 1,751,271 | 1,746,253 | 1,760,923 | 541,463 | 0 |
| Panama | 137,045 | 592,481 | 47,122 | 0 | 0 |
| Others | 0 | 100,266 | 0 | 0 | 0 |
| | | | | | |
| **Total** | **3,205,845** | **5,190,719** | **4,749,277** | **3,979,711** | **4,152,607** |

Source: Prepared from data of the National Institute for Statistics and Census (INEC)

As shown in Table10, imports of frozen beef reached $4.2 million in 2005. Imports from the United States dropped in 2004 due to the finding of the case of BSE in the United States and plant approval issues. Under CAFTA-DR, U.S. companies will have the opportunity to expand exports of frozen beef to this market because U.S. prime and choice beef will be subject to immediate tariff reduction once the Agreement is implemented. In addition, inspection issues that impede U.S. beef exports will be resolved during the implementation process, removing a key obstacle to the expansion of U.S. exports. The import tariff for frozen beef is 15% at present.

**Frozen Seafood:**

Table 11 represents the value of frozen seafood imported by Costa Rica during the period 2001-2005. The import value of frozen seafood increased from $588,945 in 2001 to $1,084,485 in 2005, a 21% average annual growth for the five-year period. The upward trend was only interrupted in 2005 when sales of frozen seafood from Peru declined significantly.

**Table 11**
**Import Value of Frozen Seafood (2001-2005)**
**(US$)**

| **Country** | **2001** | **2002** | **2003** | **2004** | **2005** |
|---|---|---|---|---|---|
| Chile | 81,014 | 40,811 | 140,199 | 328,286 | 498,661 |
| United States | 248,210 | 256,244 | 249,830 | 284,010 | 377,175 |
| Ecuador | 0 | 62,404 | 20,119 | 0 | 96,749 |
| Nicaragua | 238,959 | 2,239 | 535 | 6,760 | 47,953 |
| Peru | 0 | 204,983 | 350,710 | 487,468 | 8,361 |
| Panama | 5,339 | 32,480 | 1,765 | 1,038 | 4,775 |
| Others | 15,423 | 37,042 | 58,002 | 137,804 | 50,810 |
| | | | | | |
| **Total** | **588,945** | **636,204** | **821.160** | **1.245.367** | **1,084,485** |

Source: Prepared from data of the National Institute for Statistics and Census (INEC)

Because the tourism sector will likely continue to grow, frozen seafood imports should increase in the coming years. U.S. exporters of frozen seafood could take advantage of the favorable conditions in Costa Rica and increase the sale of these products. Import tariffs are relatively low in this product category, ranging from 10% to 15%. Furthermore, with CAFTA-DR the majority of U.S. seafood products would enter duty free immediately. The exception will be frozen octopus, which would have a 5-year phase out of its current 10% import tariff.

**Ice Cream:**

Ice cream sales are growing at a rate lower than frozen products as a whole. Ice cream is a mature product that has been on the Costa Rican market for many years. A domestic company dominates the market and the industry is protected by high import duties. The value of imported ice cream increased significantly in 2003, but since then has shown a downward trend, as can be reviewed in Table 12. Nevertheless, because of the size of the industry and the relatively high import levels, this product category could become a best prospect for U.S. exporters, especially under CAFTA-DR.

Once the CAFTA-DR Agreement is implemented, U.S. ice cream may enter the Costa Rican market duty free under a tariff rate quota that is equivalent to more than 20% of total ice cream imports into this market in 2005. This zero duty TRQ will increase to 361 metric tons by year nineteen of the agreement, after which tariffs will be eliminated. Under Costa Rica's WTO commitments, the country also has a TRQ of 660.64 metric tons with an in-quota tariff rate of 39%.

**Table 12**
**Import Value of Ice Cream (2001-2005)**
**(US$)**

| Country | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Nicaragua | 9 | 414,298 | 711,361 | 844,263 | 869,321 |
| United States | 279,515 | 291,139 | 296,143 | 265,832 | 292,578 |
| Guatemala | 65 | 674,488 | 216,916 | 268,634 | 78,364 |
| Mexico | 94,950 | 152,970 | 240,589 | 93,515 | 65,810 |
| Other countries | 165,711 | 830 | 0 | 2,404 | 72 |
| | | | | | |
| **Total** | **540,250** | **1,533,726** | **1,465,009** | **1,474,648** | **1,306,145** |

Source: Prepared from data of the National Institute for Statistics and Census (INEC)

Trade contacts have expressed concerns related to the risk of temperature variations during transportation and handling of frozen ice cream. In addition, according to a Government decree, foreign plants processing animal products or products of animal origin are subject to approval by Costa Rican authorities. This decree, however, has not been uniformly implemented for dairy plants.

The following export products are not present in significant quantities in this market but, could also have good sales potential:

**Frozen Vegetables:**

The import value of this product category is relatively low, but demand for frozen vegetables has grown and should continue to grow as the food service sector expands. In 2005, the value of frozen vegetables imports was $309.764, as shown in Table 13. Overall this category had an average annual growth of 15.5% during the five-year period.

The United States is already the main foreign supplier of frozen vegetables to Costa Rica, even though Chile and Canada export at reduced or zero tariff rates. At present, the import tariff rate for frozen vegetables is 15%. Under CAFTA-DR, U.S. exports of frozen yellow corn would enter duty free. Other main export products, such as frozen sweet peas and vegetable mixes, would be subject to tariff elimination over a period ranging from five to twelve years.

**Table 13**
**Import Value of Frozen Vegetables (2001-2005)**
**(US$)**

| Country | 2.001 | 2002 | 2.003 | 2004 | 2.005 |
|---|---|---|---|---|---|
| United States | 165,625 | 151,422 | 200,909 | 227,737 | 175,652 |
| Chile | 0 | 0 | 38,923 | 48,383 | 75,614 |
| Canada | 16,446 | 38,327 | 23,360 | 33,469 | 58,065 |
| Mexico | 8,221 | 16,233 | 5,601 | 8,732 | 0 |
| Others | 622 | 4,243 | 6,824 | 2,089 | 434 |
| | | | | | |
| **Total** | **190,915** | **210,224** | **275,617** | **320,410** | **309,764** |

Source: Prepared from data of the National Institute for Statistics and Census (INEC)

**Frozen Processed Beef and Poultry Products:**

Demand for processed beef and poultry products is growing among supermarket clients. Frozen processed poultry products, such as chicken burritos and seasoned chicken patties will be subject to immediate duty elimination in once CAFTA-DR is implemented. Therefore, these products, which at present have import duties of 151%, will likely become opportunities for U.S. exporters. Although this product category already enters duty free from Central American countries and Mexico, no imports have been reported from these countries in 2004 or 2005.

U.S. processed poultry products are considered price and quality competitive in Costa Rica. While five years ago Costa Rica was importing chicken patties and nuggets from the United States, more recently the Costa Rican Government has been enforcing a zero tolerance for salmonella, which according to importers has limited their interest in U.S. chicken products.

Locally produced processed beef preparations, such as seasoned beef patties, are also generating strong sales at supermarkets. These products are subject to a 15% tariff rate. With CAFTA-DR, the import tariff rate will be phased-out in 15 years. Plant approval has hindered importation, but once the plant approval issue is resolved under CAFTA-DR, there will be a greater opportunity to export U.S. products. In 2004 and 2005, Costa Rica imported only small amounts of beef preparations.

## V. CAFTA-DR Impacts on the Market

CAFTA-DR is expected to benefit U.S. food exports in general. Under the Agreement, import duties of all products (except fresh potatoes and onions) from the United States will be phased out over time or will undergo immediate tariff elimination. This will create greater opportunities for a variety of U.S. food products since U.S. agricultural products will become more cost competitive with Costa Rica products and with products from countries already enjoying free trade agreements with Costa Rica.

Because Costa Ricans favor U.S. food products, importers and retailers believe that the market share of U.S. food products will increase with CAFTA-DR. Frozen products of U.S. origin, especially french fries, high quality beef cuts, seafood, ice cream and processed poultry products are expected to benefit from the immediate elimination of import duties or from tariff-rate-quotas. In addition, Costa Rica may also benefit from expanded trade under CAFTA-DR if the country improves port infrastructure and roads.

The Agreement is waiting to be voted by the Costa Rican Legislative Assembly and could be implemented in 2007.

## VI. Recommendations

U.S. exporters of frozen foods products should consider the following recommendations for increasing their market share in this country:

U.S. Frozen Food Exporters Trade Mission to Costa Rica: U.S. exporters of frozen foods with good prospects products could visit Costa Rica and meet with potential importers. FAS could help plan this activity.

Trade Show visits: Qualified buyers from Costa Rica could be invited to attend certain trade shows. The buyers could meet with U.S. suppliers in one-on-one meetings, during which the buyer could see many products in one location. This type of event could be followed by organized travel to visit specific companies of interest and/or shipping and distribution centers. This activity could also be planned jointly with FAS.

In-Store Promotions: Generally speaking, a lack of promotion may be inhibiting sales of some frozen food categories. Consumers are often aware of the uses and nutritional attributes of frozen foods. In-store promotions of frozen food products may be a good tool to reach consumers.

Information/Education: Chef/cooking presentations would be a great opportunity to educate the consumers on the uses, characteristics, and health benefits of frozen products. A product's nutritional characteristics, extended shelf life, and degree of freshness should also be emphasized at these presentations. Tasting events could also be organized to achieve the same purposes since consumers also need to taste new products before they become interested in buying them.

Educational Seminars to Chefs: There is a noticeable lack of awareness of the possible uses of frozen products in the food service sector. Many chefs are not aware of the advantages of the products or believe that the nutrients and flavor are not as good as in the fresh product. To address these issues, a professional food technician or chef from the United States could conduct seminars to major Costa Rican restaurants and hotel chains focusing on the utilization, advantages, and nutritional characteristics of frozen food products.

Educational Seminars to Retailers and Transportation Companies: Retailers and transportation companies often lack knowledge on the handling of frozen products along the cold chain. Training activities for these sectors, focusing on the proper care and handling of these products, should deter product losses and improve the conditions for extending the shelf life of these food products.

## VII. Contact List ( external report)

### Key Contacts:

United States Embassy
Foreign Agricultural Service (FAS)

Tel: (506) 519-2285
Fax: (506) 519-2475
E-mail: agsanjose@usda.gov
Website: http://sanjose.usembassy.gov
Ms. Katherine Nishiura, Agricultural Couselor
Ms. Justina Torry, Agricultural Attaché
Mr. Victor Gonzalez, Agricultural Specialist
Mrs. Ileana Ramirez, Marketing Specialist
Ms. Rossie Murillo, Administrative Assistant
Mrs. Cynthia Smith-Palliser, Marketing Clerk

**Government of Costa Rica Services**

Central Bank of Costa Rica
P.O. Box: 1058 -1000 San José, Costa Rica
Tel: (506) 243-3333
Fax: (506) 255-0867
E-mail: webmaster@bccr.fi.cr
Website: www.bccr.fi.cr

Ministry of Foreign Trade
P.O. Box: 1278-1007 Centro Colon, Costa Rica
Tel: (506) 299-4700
Fax: (506) 255-3281
E-mail: pep@comex.go.cr
E-mail: www.comex.go.cr

Ministry of Economy, Industry and Commerce
P.O. Box: 10216-1000 San Jose, Costa Rica
Tel: (506) 235-2700
Fax: (506) 235-5251
E-mail: uie@meic.go.cr
Website: www.meic.go.cr/ingles/
Website for labeling: www.etiquetado.go.cr

Ministry of Agriculture
P.O. Box: 10094-1000 San José, Costa Rica
Tel: (506) 231-2344
Fax: (506) 232-2103
E-mail: magweb@mag.go.cr
Website: www.mag.go.cr

Ministry of Health
P.O. Box: 10123-1000 San José, Costa Rica
Tel: (506) 223-0333
Fax: (506) 223-0335
E-mail: regycont@netsalud.sa.cr
Website: www.ministeriodesalud.go.cr

National Institute for Statistics and Census
P.O. Box: 10163-1000 San José, Costa Rica
Tel: (506) 280-9280
Fax: (506) 224-2221

E-mail: informacion@inec.go.cr
Website: www.inec.go.cr

**Private Sector Organizations**

AMCHAM (Local American Chamber of Commerce)
P.O. Box: 4946-1000 San José, Costa Rica
Tel: (506) 220-2200
Fax: (506) 220-2300
E-mail: chamber@amcham.co.cr
Website: www.amcham.co.cr
Mrs. Lynda Solar, Executive Director

Cámara Costarricense de la Industria Alimentaria (Costa Rican Chamber of Food Industry)
P.O. Box: 7097-1000 San José, Costa Rica
Tel: (506) 234-1127
Fax: (506) 234-1127
E-mail: mmontero@cacia.org
Website: www.cacia.org
Mr. Mario Montero, Executive Director

Cámara de Comercio de Costa Rica (Costa Rican Chamber of Commerce)
P.O. Box: 1114-1000 San José, Costa Rica
Tel: (506) 221-0005
Fax: (506) 233-7091
E-mail: camaraco@racsa.co.cr
Website: www.camara-comercio.com
Mr. Carlos Federspiel, President

Cámara de Representantes Extranjeros-CRECEX (Chamber of Representatives of Foreign Firms)
P.O. Box: 3738-1000 San José, Costa Rica
Tel: (506) 253-0126
Fax: (506) 234-2557
E-mail: crecex@racsa.co.cr
Website: www.crecex.com
Ms. Olga Rodriguez, Executive Director

Cámara de Industrias de Costa Rica (Costa Rican Chamber of Industries)
P.O. Box: 1003-1000 San José, Costa Rica
Tel: (506) 281-0006
Fax: (506) 234-6163
E-mail: camind@racsa.co.cr
Website: www.cicr.com
Mr. Rafael Carillo, Executive Director

Cámara Nacional de Agricultura y Agroindustrias (National Chamber of Agriculture and Agribusiness)
P.O. Box: 1671-1000 San José, Costa Rica
Tel: (506) 280-2173
Fax: (506) 280-0969
E-mail: cnaacr@racsa.co.cr

Mr. Alvaro Sáenz Saborío, President

## VIII. Company Profiles (internal report)

**Automercado**
Type of business: Retailer
Main local frozen products: Ice cream and ready to eat meals
Main imported products (prioritized by sales):
1. Ready to eat meals
2. Meats
3. Vegetables

Distribution Channel: Broker consolidates in Miami → to Limon port → to their stores.
Comments: Good cold storage facilities in the stores but limited space for display. They hire transportation services for frozen food.

**Belca de Costa Rica**
Type of business: Distributor
Main local frozen products: Meat and Ice cream
Main imported products (prioritized by sales):
1. French fries
2. Seafood
3. Ice cream

Distribution Channel: Broker consolidates in Miami → to Limon port → to their own cold storage facilities → to retailer's stores and institutions.
Comments: Extra space available in their cold storage facilities and good transportation system of their own.

**Industrias Cárnicas Integradas**
Type of business: Producers
Main local frozen products: Poultry and meat
Main imported products (prioritized by sales):
1. Prime cuts
2. Choice cuts

Distribution Channel: Broker consolidates in Miami → to Limon port → to their own cold storage facilities.
Comments: Ready to import more meat when tariffs are lower and procedures less cumbersome.

**Constenla & Compañía**
Type of business: Distributor/Wholesaler
Main local frozen products: Bread and ready to eat meals
Main imported products (prioritized by sales):
1. French fries
2. Meats
3. Vegetables

Distribution Channel: U.S. exporter → to Limon port → to their own cold storage facilities → to retailers and mom and pop stores.
Comments: Extra space available in their cold storage facilities. Need to develop transportation service.

**Costa Frozen**
Type of business: Producer

Main products (prioritized by sales):
1. Yucca turnovers (4 types)
2. French fries
3. Croquettes (3 types)

Distribution Channel: 1- Own factory → to distributor (Belca). 2- Own distribution system to several retailers with appropriate infrastructure.
Comments: Need to develop transportation services.

**Wal-Mart Centroamérica**
Type of business: Retailer
Main local frozen products: Ice cream and meat
Main imported products (prioritized by sales):
1. Ice creams
2. French fries
3. Vegetable

Distribution Channel: U.S. exporters → to Limon port → to stores.
Comments: They do not have cold storage facilities or transportation.

**Delifrost**
Type of business: Producer
Main products (prioritized by sales):
1. Pineapple
2. Melon
3. Mango

Distribution Channel: Own factory → to Limon port → to broker in the U.S.
Comments: Export both bulk and ready to eat.

**Tia Florita**
Type of business: Producer
Main products (prioritized by sales):
1. Desserts (5 types)
2. Lasagna (3 types)

Distribution Channel: Factory → to distributor (Pastas Balila) → to the stores.
Comments: They have a Costa Rican frozen food for Costa Rican taste approach.

**Global Partners**
Type of business: Distributor
Main local frozen products: Ice cream and seafood
Main imported products (prioritized by sales):
1. French fries
2. Vegetables
3. Meats

Distribution Channel: Broker consolidate in Miami → to Limon port → to cold storage facilities → to customers' stores
Comments: They researched the frozen food market for opportunities in the institutional sector.

**Martin Brower**
Type of business: Distributor
Main local products: Poultry
Main imported products (prioritized by sales):
1. Meats
2. French fries
3. Bread

Distribution Channel: From Martin Brower Miami → to Limon port → to cold storage facilities, they distribute with own transportation system
Comments: Good infrastructure for frozen products.

**Distribuidora MAYCA**
Type of business: Distributor
Main local frozen products: Meat, pork and poultry
Main imported products (prioritized by sales):
1. French fries
2. Bake pastry
3. Meats

Distribution Channel: Broker consolidates in Miami → to Limon port → to cold storage facilities → to retail and institutions.
Comments: Space available in their cold storage facilities and good transportation system, good infrastructure.

**Mercasa**
Type of business: Distributor
Main local frozen products: none
Main imported products (prioritized by sales):
1. Bread

Distribution Channel: Broker → to Limon port → to retail and institutions.
Comments: They have no cold storage facilities and almost no distribution system for frozen lines.

**Casa Phillips**
Type of business: Producer
Main products: Ready to eat meals
Products prioritize by sales:
1. Meat (Cordon Blue)
2. Poultry
3. Fish

Distribution Channel: Factory → to distributor (Constenla).
Comments: Already selling in the U.S. market (Los Angeles)

**Price Smart**
Type of business: Retailer
Main local frozen products: Meat and Ice cream
Main imported products (prioritized by sales):
1. Seafood
2. Ready to eat meals
3. French fries

Distribution Channel: From Price Smart in Miami → to Limon port → to stores
Comments: Good infrastructure and economies of scale